

2 “[T]he term OSS refers to the computer systems, databases, and personnel that incumbent carriers rely upon to discharge many internal functions necessary to provide service to their customers.” *In the Matter of Performance Measurements and Reporting Requirements for Operations Support Systems, Interconnection, and Operator Services and Directory Assistance*, FCC Docket No. 98-72, CC Docket No. 98-56; 13 FCC Rcd. 12,817 (released April 17, 1998) (*Notice of Proposed Rulemaking*), ¶9.

to an incumbent's OSS, CLECs cannot effectively compete with ILECs. Discriminatory access to an ILEC's OSS may delay or prevent CLECs from obtaining data necessary to sign up customers, placing an order for services or facilities with the ILEC, tracking the progress of that order to completion, receiving relevant billing information from the incumbent, or obtaining prompt repair and maintenance for the elements and services it obtains from the ILEC.<sup>3</sup>

At a regularly scheduled Authority Conference held on February 21, 2001, the Authority convened TRA Docket No. 01-00362 to explore whether CLECs operating in Tennessee have nondiscriminatory access to BellSouth's OSS. The purpose of Docket No. 01-00362 is "to determine whether existing data or test results derived from OSS testing in other states is reliable and applicable to Tennessee and, in those instances where reliance on such testing is inappropriate, to conduct necessary testing."<sup>4</sup> In establishing this docket, the Directors unanimously voted to engage an independent, third party consultant to advise the Authority on the reliability of existing data or test results and to conduct any required testing. The Authority appointed Director H. Lynn Greer, Jr. to serve as the Pre-Hearing Officer.

On May 3, 2001, the Pre-Hearing Officer issued his First Report and Recommendation in TRA Docket No. 01-00362, setting forth a procedure for determining whether BellSouth's Tennessee systems and processes operate sufficiently to provide wholesale services and elements to CLECs without impeding competition. The

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<sup>3</sup> *Id.*

<sup>4</sup> *In re Docket to Determine the Compliance of BellSouth Telecommunications, Inc.'s Operations Support Systems with State and Federal Regulations*, TRA Docket No. 01-00362 (hereinafter "OSS Docket") (Order Approving First Report and Recommendation of the Pre-Hearing Officer) p. 2-3 (Released July 27, 2001).

Pre-Hearing Officer proposed to bifurcate the proceedings into two separate phases. As to Phase I, the Pre-Hearing Officer recommended that the Authority direct the selected independent, third party consultant to prepare and submit a Phase I report, within an established time frame, consisting of the following elements: (1) identification of the systems or processes used by BellSouth's Tennessee operations for providing services and network elements to competitors; (2) an audit of BellSouth's Tennessee performance data; and (3) recommendations regarding performance and system testing necessary for the Authority to ascertain whether BellSouth is providing network services and elements to CLECs in Tennessee without impeding competition. The Pre-Hearing Officer also recommended that, upon completion of the consultant's Phase I report, the Authority convene a hearing for the purpose of receiving testimony and other evidence from the consultant and interested parties. The Pre-Hearing Officer proposed that, after the conclusion of the hearing, the Authority render a decision on the consultant's recommendation and whether actual testing of BellSouth's OSS in Tennessee was needed. Under the Pre-Hearing Officer's proposal, some necessary testing could be conducted after Phase I, possibly during Phase II.

At a regularly scheduled Authority Conference on May 15, 2001, the Pre-Hearing Officer summarized the First Report and Recommendation and stated that the proposals contained therein would provide the most expeditious method for assuring that BellSouth's Tennessee systems and processes operate sufficiently to provide wholesale services and elements to CLECs without impeding competition. In response to a question regarding the use of the consultant's report, the Pre-Hearing Officer stated:

[c]onsistent with previous decisions by the Authority, such decisions shall take into consideration the testing of OSS in other BellSouth states

and the extent that the TRA can rely on such tests for Tennessee operations. Nothing in my report should indicate that we are going to negate or ignore the testing in Florida or Georgia, that we would accept them or ignore them, but we will take them in and consider them for what they're worth. And we are simply recommending that we hire the third party verifier to relate them to the Tennessee systems.<sup>5</sup>

In response to a question regarding consideration by the third party consultant of OSS testing in other BellSouth states and the extent to which the TRA can rely on such tests for Tennessee operations, the Pre-Hearing Officer agreed that "it would be incumbent to verify the appropriateness, the independence, and the accuracy of the testing so done."<sup>6</sup> The Directors then voted unanimously to approve the First Report and Recommendation and to authorize the Executive Secretary to proceed expeditiously to select and retain a qualified consultant to prepare the Phase I report proposed in the First Report and Recommendation, subject to approval by the Authority.

Having determined that only one consultant, KPMG Peat Marwick ("KPMG"), possessed the experience and expertise with BellSouth's OSS necessary to fulfill the TRA's stated requisites, the Executive Secretary arranged for a Request for Approval for Non-Competitive Procurement to be submitted to the Office of Contracts Review at the Tennessee Department of Finance and Administration on June 7, 2001. The Request sought permission to pursue a sole source contract with KPMG rather than engage in the competitive bidding process ordinarily associated with contracts with the State. The Request, prepared by the Executive Secretary and submitted under the signature of the Chairman, specifically noted that KPMG is the only vendor providing third party testing of BellSouth's OSS in BellSouth's nine state region, that KPMG had performed the third party testing in Georgia and is currently performing the third party testing in Florida, that

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<sup>5</sup> *OSS Docket* (Transcript from May 15, 2001 Authority Conference) p. 30.

KPMG has retained intellectual property rights to any interfaces built for the Florida testing which are required to duplicate BellSouth's existing interfaces, and that procurement of KPMG will reduce costs due to its ownership of the interfaces and its experience. The Commissioner of Finance and Administration approved the Authority's Request on June 21, 2001.

Based upon that approval, the Executive Secretary corresponded with Michael Weeks, Managing Director of KPMG, on July 3, 2001. The July 3<sup>rd</sup> letter detailed the progress of the Tennessee OSS proceeding, explaining that the Directors had voted to "engage an independent third party to advise the Authority of the areas of OSS testing where it is not possible to rely on actual data or the testing done in other states."<sup>7</sup> The Executive Secretary then explained that the duties of the third party consultant were to prepare a report:

1) identifying the systems and processes used by BellSouth's Tennessee operations for providing services and network elements to competitors; 2) audit[ing] BellSouth's existing Tennessee performance data for accuracy, and 3) providing recommendations regarding performance and system testing necessary for the Authority to ascertain whether BellSouth is providing network services and elements to CLECs in Tennessee without impeding competition.

The Executive Secretary also conveyed the Authority's requirement that "the recommendations for identifying the OSS testing shall 'take into consideration the testing of OSS in other BellSouth states and the extent that the TRA can rely on such tests for Tennessee operations and identify processes that are specific to Tennessee or utilize Tennessee labor.'" The Executive Secretary invited KPMG to submit a proposed

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<sup>6</sup> *Id.*, p. 32.

<sup>7</sup> *OSS Docket (Status Report on Selection of a Third Party Consultant in Docket No. 01-00362, exhibit A)* (Released August 15, 2001).

contract related to the preparation and presentation of the report.

On July 11, 2001, Mr. Weeks responded in writing to the Executive Secretary's July 3<sup>rd</sup> letter, outlining the scope, approach, staffing, roles and responsibilities, timing and commercial terms proposed by KPMG. In its July 11<sup>th</sup> letter, KPMG proposed to do the following:

- Inventory the processes, systems, and M & P's (methods and procedures) that support the Company's [BellSouth] wholesale operations in Tennessee

- Compare and contrast them with those that support wholesale operations in GA and FL

- Categorize the processes, systems, and M & Ps as:

- Common throughout the Company or unique to TN

- Tested in FL/GA or not

- Significant, or not, to competition in TN

- Prepare a report outlining the above

- Participate in the hearing conducted by the Authority<sup>8</sup>

KPMG also stated:

Historically, KPMG Consulting has acted as finders of fact. We believe that the ultimate decisions as to what should be tested are better left to regulatory due process. Therefore, we will not make recommendations in our report as to the potential scope of an OSS test in TN. However, we expect to be able to indicate to the Authority our opinion as to those areas from the GA and FL tests on which reliance could be placed by TN.<sup>9</sup>

KPMG's July 11<sup>th</sup> letter was not directly responsive to all the issues raised by the Executive Secretary. Accordingly, representatives of KPMG and the TRA met on two occasions. During these meetings, questions remained regarding KPMG's willingness to verify "the appropriateness, the independence and the accuracy" of the Georgia and Florida tests.<sup>10</sup>

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<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> *OSS Docket* (Transcript from May 15, 2001 Authority Conference) p. 31-32; *accord* (*Order Approving First Report and Recommendation of the Pre-Hearing Officer*) p. 5.

On August 3, 2001, the Executive Secretary corresponded with Mr. Weeks, setting forth the elements the Authority required in KPMG's report and analysis. The August 3<sup>rd</sup> letter stated:

Consistent with the Authority's directives outlined in its July 27, 2001 order adopting the [Pre-]Hearing [O]fficer's Report and Recommendation (attached), the third-party OSS report and analysis presented to the Authority shall include the following:

1. Inventory the processes, systems, and methods and procedures (M&Ps) that support BellSouth's wholesale operations in Tennessee.
2. Compare and contrast such inventory with those processes, systems, and M&Ps that support wholesale operations in Georgia and Florida.
3. Categorize the processes, systems, and M&Ps as:
  - a. Common throughout the Company or unique to Tennessee.
  - b. Tested in Florida or not. If tested in Florida, is the testing of such process still timely and relevant?
  - c. Tested in Georgia or not. If tested in Georgia, is the testing of such process still timely and relevant?
  - d. Significant, or not, to competition in Tennessee.
4. Specifically identify any processes, systems, or M&Ps that were included in the Florida Master Test Plan (MTP) but not in the Georgia MTP. Provide KPMG's understanding as to why such processes were not included in the Georgia test and whether or not testing of such process[es] would have been beneficial in arriving at a final decision on the adequacy of BellSouth's OSS in that state assuming that OSS availability is required for the provision, by competitors, of both residential and business service as contemplated under Sec. 271(c)(1)(A) of the Telecommunications Act of 1996.
5. Specifically identify any processes, systems, or M&Ps that in KPMG's professional opinion should be included in an MTP designed to evaluate the availability of OSS provisioning for both residential and business service as contemplated under Sec. 271(c)(1)(A) of the Telecommunications Act of 1996 but was not included in the Florida MTP. Provide KPMG's understanding as to why such processes were not included in the Florida test and whether or not testing of such process[es] would be beneficial in arriving at a final decision on the adequacy of BellSouth's OSS in Florida.
6. Specifically identify any processes, systems, or M&Ps that were included in the Georgia MTP but not in the Florida MTP. Provide

KPMG's understanding as to why such processes were not included in the Florida test and whether or not testing of such process[es] would have been beneficial in arriving at a final decision on the adequacy of BellSouth's OSS in that state assuming that OSS availability is required for the provision, by competitors, of both residential and business service as contemplated under Sec. 271(c)(1)(A) of the Telecommunications Act of 1996.

7. Provide a detailed description of the process for arriving at a final master test plan (MTPs) in both Florida and Georgia. Provide copies of the final contracts (and any amendments) engaging KPMG to conduct OSS testing in Florida and Georgia.
8. For the processes, systems, and M&Ps which are relevant to Tennessee and for which KPMG recommends that reliance should be placed on another state's testing of such processes, systems, and M&Ps, attest to the appropriateness, independence and accuracy of the relied upon state's testing of such processes.
9. Identify any and all restrictions, limitations or conditions placed on KPMG with regard to the performance of OSS testing in Florida and Georgia.
10. Based on KPMG's findings from the above analysis, submit recommendations as to scope of OSS tests needed in Tennessee and the reliance that can be placed on Florida and Georgia tests.
11. Provide a report containing the above analysis.
12. Participate in all workshops and hearings conducted by the Authority in this docket. Workpapers supporting KPMG's report will be available for inspection by parties to this proceeding.

On August 8, 2001, Mr. Weeks responded to the Executive Secretary's correspondence. Mr. Weeks agreed that KPMG would prepare a report that would include an inventory of the processes, systems, and methods and procedures that support BellSouth's wholesale operations in Tennessee; a comparison of such processes, systems, and methods and procedures; a categorization of such processes, systems, and methods and procedures as common throughout BellSouth's operations or unique to Tennessee; and a statement as to whether such had been tested in Florida and Georgia.

Rather than render an opinion as to which processes, systems, and methods and procedures are relevant to competition in Tennessee, KPMG offered to "facilitate a



collaborative workshop with the parties to discuss the competitive landscape in TN.”<sup>11</sup>

Mr. Weeks did not assent to the Authority’s requirement that KPMG provide information on why the scope of the Georgia and Florida tests differ and declined to offer an opinion on whether additional testing would have enhanced the record of the proceedings in those states. Further, KPMG refused to identify in its report “any and all restrictions, limitations or conditions placed on KPMG with regard to the performance of OSS testing in Florida and Georgia.”<sup>12</sup> In addition, Mr. Weeks stated that KPMG would not identify any processes, systems, methods and procedures that should have been, but were not, included in the Florida and Georgia OSS testing. He asserted that:

KPMG Consulting respects the authority and sovereignty of the FL and GA commissions, and does not believe that it is appropriate, or relevant, for us to comment on decisions made by other regulators in the course of exercising their regulatory authority in connection with their jurisdiction’s due process.<sup>13</sup>

KPMG also declined to provide the Authority with a detailed description of the process undertaken in Florida and Georgia in arriving at a final master test plan.

KPMG also rejected the Authority’s criteria which would require KPMG to verify the appropriateness, independence and accuracy of testing in Georgia and Florida upon which the Authority could place its reliance. Mr. Weeks stated:

You have asked that we attest to the appropriateness, independence and accuracy of any testing conducted in another jurisdiction of processes, systems, and M & Ps on which we recommend Tennessee reliance. Historically, KPMG Consulting has acted as finders of fact. We believe that the ultimate decisions as to what should be tested in TN are better left to regulatory due process. Therefore we would not make recommendations in our report as to the potential scope of an OSS test in TN, or on the reliance to place on other tests.<sup>14</sup>

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<sup>11</sup> *OSS Docket (Status Report on Selection of a Third Party Consultant in Docket No. 01-00362, exhibit A).*

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

After considering KPMG's response, the Executive Secretary filed his August 15, 2001 Status Report, which stated, "I have been unable to retain an independent third party consultant with a contract consistent with services requested by the Authority in its correspondence dated July 3<sup>rd</sup> and August 2<sup>nd</sup>." In the Status Report, he requested that this matter be considered by the Directors at the August 21, 2001 Authority Conference agenda.

### **The August 21, 2001 Authority Conference**

At the August 21<sup>st</sup> Authority Conference, the Directors considered the Executive Secretary's Status Report and the attachments thereto. During the Conference, Director Greer moved to accept KPMG's proposal and retain KPMG as the third party consultant.<sup>15</sup>

Without a second to Director Greer's Motion, Chairman Kyle moved to reject KPMG's proposal and proceed with a contested case in Phase I without a third party

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<sup>15</sup> Director Greer asserted that:

[The]Authority's requests, as expressed in the August 3<sup>rd</sup> letter to KPMG, go beyond the scope of the Authority's expectations as expressed in the Order and the Pre-Hearing Officer's Report and Recommendation . . . I view the wording of the August 3<sup>rd</sup> letter's request as acceptable adaptations, for the purpose of negotiations, of the expectations expressed in the Authority's Order and Report. Consistent with the Authority's willingness to place any relevant information into evidentiary records, there is nothing wrong with seeking KPMG's opinions on many topics and from many angles, just as parties present information in contested cases and the associated hearings. At the same time, I think KPMG's proposal comes very close to fulfilling the Authority's Order and Report as I interpret them.

*OSS Docket* (Transcript of August 21, 2001 Authority Conference) p. 15-16.

consultant.<sup>16</sup> Director Malone rejected KPMG's proposal and Director Greer's motion on the grounds that both were inconsistent with the First Report and Recommendation, the Authority's Order approving the same, the Executive Secretary's July 3, 2001 letter to KPMG and the Executive Secretary's August 3, 2001 letter to KPMG.<sup>17</sup> Director Malone

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<sup>16</sup> Chairman Kyle stated:

I understand that we have three options: One, have KPMG prepare the regionality study and let the parties prove the evidence needed to determine if TRA can rely on [the] Florida and Georgia tests without a third-party consultant's report; two, send out an RFP for a consultant other than KPMG to prepare both [a] regionality and [a] reliability study; and, three, do not use a third-party consultant. Rely on [the] parties to present the evidence.

It has taken us some time. I believe – in my opinion it's been three months to get to this point in the KPMG contract talks. I do not see new contract talks with another company going any quicker. State law says if more than one company can perform a service, you have to go through the RFP process. I was sure when I signed, as head of this agency, the request and justification to engage KPMG to conduct this test that they were the only company capable of competing its task according to this agency's standards.

Commissioner Waddell of the Department of Finance and Administration also approved the request. I do not want to sit here another three months – and it be mid November – without a report. Quite frankly, I do not think at this point we can expect to have a report plus holding hearings on a report and turn out an order by year's end. As most of you know, Bell has informed us that November 1, 2001, is the 90-day clock for 271.

What this means is any time after November 1, Bell can go to the FCC for 271 approval. I want Tennessee's voice to be heard when Bell files their 271 application with the FCC. If Tennessee does not file a substantive report with the FCC that will provide them essential evidence to aid in their decision making, it will be this Authority who has failed. I will not do anything to jeopardize this Authority's national reputation as being a leader in telecommunications.

As for the KPMG contract talks that our executive secretary has been engaged in, all parties should have received a copy of this work in process. I will not be put in the position of defending KPMG or any other company's conflicts. I agreed to the KPMG contract after great consultation with staff. And for the record, I was aware of the alleged or potentially alleged conflicts of KPMG.

I was satisfied that all CLECs would have the opportunity to get any conflicts on the record, and more than anything, I was comfortable with my own ability to overcome any and all conflicts that any independent company would have. Keep in mind the KPMG report is just that, a report, additional information. My decision in the OSS docket will not hinge on any one report.

I cannot control the RFP process nor when BellSouth files their 271 application with the FCC after November 1. The law puts the time clock on the BellSouth side. I do have some control over how this agency conducts its business and meets its obligations, or at least one vote.

With my earlier comments in mind, I would move that we amend the hearing officer's report and not engage a third-party consultant but move forward with our own contested case to determine the compliance of BellSouth Telecommunications' operational support systems with state and federal law.

*OSS Docket* (Transcript of August 21, 2001 Authority Conference) p. 28-31.

<sup>17</sup> Director Malone was of the opinion that the Executive Secretary's letter of August 3, 2001 is consistent with the Report and Recommendation and the Authority's Order approving the same.

was of the opinion that it was inappropriate, absent justifiable circumstances, for the Authority to modify its Order to conform to KPMG's noncompliant counter-proposal.

After extensive discussion, a majority of the Directors<sup>18</sup> determined not to engage a third party consultant in Phase I of this proceeding but to move forward with the Authority's Phase I contested case to determine the regionality of BellSouth's OSS.<sup>19</sup> The same majority voted to amend the Order Approving the Pre-Hearing Officer's First Report and Recommendation to reflect their decision not to retain an independent, third party consultant in Phase I. Nonetheless, as previously stated, the Authority may, in the future, retain an independent, third party consultant for other work in this docket, including any OSS testing the Authority finds necessary.

**IT IS THEREFORE ORDERED THAT:**

1. TRA Docket No. 01-00362 will proceed as a contested case without the participation of an independent, third party consultant in Phase I.

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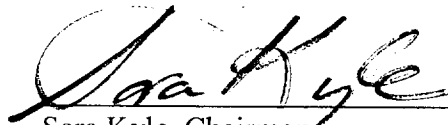
<sup>18</sup> Director Malone did not vote with the majority. Director Malone stated that he has always been and remains persuaded that the most responsible manner in which to engage an "independent" consultant was to issue a Request for Proposal ("RFP"). Further, it was Director Malone's opinion that the Authority should not retreat from its thoughtfully crafted and unanimously adopted framework for reviewing and evaluating BellSouth's OSS solely on the basis of KPMG's refusal to consult in the manner requested by the Authority. If a lesser method in which to proceed was superior to the method established by the Directors in the Order Approving the First Report and Recommendation, Director Malone was persuaded that the Authority would have initially pursued such method, irrespective of KPMG's positions. Director Malone's alternative proposals failed for lack of a second.

<sup>19</sup> *OSS Docket* (Transcript of August 21, 2001 Authority Conference) p. 31, 48.

2. The First Report and Recommendation of the Pre-Hearing Officer filed on May 3, 2001 is hereby amended to reflect the decision not to engage a third party consultant to participate in Phase I of this proceeding.

3. The Authority's July 27, 2001 Order Approving The First Report and Recommendation of the Pre-Hearing Officer is hereby amended to withdraw approval of those portions of the First Report and Recommendation of the Pre-Hearing Officer which recommend engaging a third party consultant to participate in Phase I of this proceeding.


4. The Authority's July 27, 2001 Order Approving The First Report and Recommendation of the Pre-Hearing Officer is hereby amended to withdraw the authorization to the Executive Secretary to proceed expeditiously to select and retain a qualified consultant for Phase I purposes.

  
Sara Kyle, Chairman

  
H. Lynn Greer, Jr., Director

  
Melvin J. Malone, Director

ATTEST:

  
K. David Waddell, Executive Secretary



## TENNESSEE REGULATORY AUTHORITY

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Sara Kyle, Chairman  
Lynn Greer, Director  
Melvin Malone, Director

K. DAVID WADDELL  
Executive Secretary

### Memorandum

To: Chairman Kyle  
Director Greer  
Director Malone

From: David Waddell *DWaddell*

RE: Status Report on Selection of a Third Party Consultant in Docket No. 01-00362

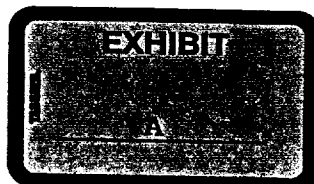
Date: August 15, 2001

Consistent with the action of the Directors at the May 15, 2001, Authority Conference (see attached Order dated July 27, 2001), I have, with the assistance of staff, attempted "to select and engage a third party consultant" in Docket No. 01-00362 to Determine the Compliance of BellSouth's Operations Support Systems (OSS) with State and Federal Regulations.

It was the Staff's opinion that KPMG should be used to prepare the report and analysis because of its expertise and experience with BellSouth's OSS and the fact that KPMG was the only consultant that has experience with independent, third party testing of BellSouth's OSS. Upon the recommendation of staff, I sought and received permission from the Department of Finance and Administration (attached) to pursue a sole source contract with KPMG Consulting, Inc. Based on that permission, I issued a letter to KPMG on July 3, 2001 (attached) requesting the commencement of contract negotiations. KPMG responded on July 11, 2001 (attached). This correspondence resulted in a face-to-face meeting with TRA staff and representatives of KPMG on July 26, 2001.

That meeting resulted in another letter dated August 3, 2001 (attached) detailing what would be requested of KPMG as an independent third party consultant in this docket. The response furnished by KPMG on August 8, 2001 (attached) is inconsistent with the request for service dated August 3.

I have been unable to retain an independent third party consultant with a contract consistent with services requested by the Authority in its correspondence dated July 3<sup>rd</sup> and August 3<sup>rd</sup>. I place this memorandum and all the related correspondence before you for your review and consideration. With your permission, I will add this docket to the August 21, 2001 agenda under miscellaneous business so that you may take whatever action you deem necessary to move this docket toward completion.



BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

JULY 27, 2001

IN RE:

DOCKET TO DETERMINE THE  
COMPLIANCE OF BELL SOUTH  
TELECOMMUNICATIONS, INC.'S  
OPERATIONS SUPPORT SYSTEMS WITH  
STATE AND FEDERAL REGULATIONS

DOCKET NO.  
01-00362

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ORDER APPROVING FIRST REPORT AND RECOMMENDATION  
OF THE PRE-HEARING OFFICER

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This matter came before the Tennessee Regulatory Authority ("Authority") at a regularly scheduled Authority Conference held on May 15, 2001, for consideration of the First Report and Recommendation of Pre-Hearing Officer ("First Report and Recommendation") filed on May 3, 2001. A copy of the First Report and Recommendation is attached to this Order as Exhibit A.

**Background**

Under the Federal Telecommunications Act of 1996 and Tennessee law, Incumbent Local Exchange Companies ("ILECs") such as BellSouth Telecommunications, Inc. ("BellSouth"), must provide nondiscriminatory access to their Operations Support Systems ("OSS") to Competing Local Exchange Carriers ("CLECs").<sup>1</sup> "[T]he term OSS refers to the computer systems, databases, and personnel that incumbent carriers rely upon to

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<sup>1</sup> See 47 U.S.C. § 251(c)(3); Tenn. Code Ann. § 65-4-124(a).

discharge many internal functions necessary to provide service to their customers.”<sup>2</sup> Nondiscriminatory access to an incumbent’s OSS allows CLECs to access the customer data necessary to sign up customers, place an order for services or facilities with the incumbent, track the progress of that order to completion, receive relevant billing information from the incumbent, and obtain prompt repair and maintenance for the elements and services it obtains from the incumbent.<sup>3</sup>

At a regularly scheduled Authority Conference held on February 21, 2001, the Authority took a series of steps to assure BellSouth’s compliance with the laws requiring it to provide nondiscriminatory access to its OSS. To accomplish these steps, the Authority convened two dockets and appointed Director H. Lynn Greer, Jr. to serve as the Pre-Hearing Officer in both proceedings.

The first docket, TRA Docket No. 01-00193,<sup>4</sup> was opened to develop a common set of performance measurements, benchmarks and enforcement mechanisms for use in monitoring OSS functions. Concurrent with the establishment of this docket, the Authority adopted, as a base, the performance measurements, benchmarks and enforcement mechanisms ordered in TRA Docket No. 99-00430.<sup>5</sup>

The purpose of the instant docket, TRA Docket No. 01-00362, the second of those convened at the February 21, 2001 Authority Conference, is to determine whether existing

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<sup>2</sup> *In the Matter of Performance Measurements and Reporting Requirements for Operations Support Systems, Interconnection, and Operator Services and Directory Assistance*, FCC Docket No. 98-72, CC Docket No. 98-56; 13 FCC Rcd. 12,817 (released April 17, 1998) (Notice of Proposed Rulemaking), ¶9.

<sup>3</sup> *Id.*

<sup>4</sup> TRA Docket No. 01-00193 is styled *Docket to Establish Generic Performance Measurements, Benchmarks and Enforcement Mechanisms for BellSouth Telecommunications, Inc.*

<sup>5</sup> See *Petition for Arbitration of ITC/DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996*, TRA Docket No. 99-00430 (Final Order of Arbitration) (February 23, 2001), as modified, (Order on Reconsideration and Denying Joint Motion) (June 26, 2001).



data or test results derived from OSS testing in other states is reliable and applicable to Tennessee and, in those instances where reliance on such testing is inappropriate, to conduct necessary testing. In establishing this docket, the Directors unanimously voted to engage an independent, third party consultant to advise the Authority on the reliability of such data or test results and to conduct any required testing.

#### **The Pre-Hearing Officer's First Report and Recommendation**

On May 3, 2001, the Pre-Hearing Officer issued his First Report and Recommendation in TRA Docket No. 01-00362, proposing a procedure for determining whether BellSouth's Tennessee systems and processes operate sufficiently to provide wholesale services and elements to CLECs without impeding competition. The Pre-Hearing Officer primarily directed his recommendations to the function and format of the work to be undertaken by the third party consultant and the procedural framework for considering that work in conjunction with the parties' comments.

Specifically, the Pre-Hearing Officer recommended that the Authority direct the selected consultant to prepare and submit a Phase I report, within an established time frame, consisting of the following elements: (1) identification of the systems or processes used by BellSouth's Tennessee operations for providing services and network elements to competitors; (2) an audit of BellSouth's Tennessee performance data; and (3) recommendations regarding performance and system testing necessary for the Authority to ascertain whether BellSouth is providing network services and elements to CLECs in Tennessee without impeding competition. Under the Pre-Hearing Officer's proposal, the Phase I report would evaluate the testing of OSS in other BellSouth states and the extent to which the Authority can rely on such tests in evaluating BellSouth's Tennessee operations.

The report would also identify processes that are specific to Tennessee or that utilize Tennessee labor, such as the process for "hot cuts."<sup>6</sup>

The Pre-Hearing Officer recommended that, upon completion of the consultant's Phase I report, the Authority convene a hearing for the purpose of receiving testimony and other evidence from the consultant and interested parties. The Pre-Hearing Officer proposed that, after the conclusion of the hearing, the Authority render a decision on the consultant's recommendation and the need to begin actual testing of the processes ordered by the Authority.

#### **Party Comments**

On May 8, 2001, the Authority issued a Notice of Consideration of Pre-Hearing Officer's First Report and Recommendation and of Filing Comments which provided notice to all interested parties that the Authority would consider the Pre-Hearing Officer's First Report and Recommendation at the May 15, 2001 Authority Conference. The Notice also provided that any interested party desiring to file comments on the First Report and Recommendation must do so by 2:00 p.m., May 11, 2001.

Three interested parties responded to the Pre-Hearing Officer's First Report and Recommendation. On May 11, 2001, BellSouth filed a Response which requested the Authority to reconsider the Pre-Hearing Officer's First Report and Recommendation. BellSouth proposed an alternative procedure for evaluating its OSS. Rather than retain an independent, third party consultant, BellSouth proposed that the Authority adopt a procedural schedule which would first permit BellSouth to present evidence in support of its claim of regionality, then allow for intervenors to submit rebuttal evidence, after which

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<sup>6</sup> A "hot cut" is the process of transferring a working subscriber's line from one local service provider to another with minimum disruption of service.

the Authority would conduct a hearing on the issues of regionality and OSS.

On May 11, 2001, AT&T Communications of the South Central States, Inc. ("AT&T") filed a letter expressing its support of the Pre-Hearing Officer's First Report and Recommendation, observing that "the recommendation strikes an appropriate balance by eliminating any requirements for redundant testing by BellSouth, while ensuring that state-specific issues are adequately addressed." AT&T requested that the Authority provide CLECs with access to the consultant's work during Phase I of the process and permit them to comment or otherwise participate in that process.

The Southeastern Competitive Carriers Association, ("SECCA") filed Comments on May 14, 2001 supporting the Pre-Hearing Officer's First Report and Recommendation. SECCA asserted that this proceeding would result in a finding that BellSouth is not providing Tennessee CLECs with adequate access to its OSS.

#### **The May 15, 2001 Authority Conference**

At the May 15, 2001 Authority Conference, the Pre-Hearing Officer summarized the First Report and Recommendation and stated that the proposal contained therein would provide the most expeditious method for assuring that BellSouth's Tennessee systems and processes operate sufficiently to provide wholesale services and elements to CLECs without impeding competition. The Pre-Hearing Officer reiterated that the proposal included consideration of testing in other states, such as Florida and Georgia. He then recommended that the Authority direct the selected independent, third party consultant to relate the testing in other states to the Tennessee systems and to evaluate the appropriateness, independence and accuracy of such testing.

In support of this recommendation, the Pre-Hearing Officer pointed to

inconsistencies he observed in BellSouth's Response to the Authority's December 6, 2000 Data Request filed on January 29, 2001. The Response stated that BellSouth's software infrastructure, including electronic interfaces and databases, are either the same or designed to operate in an indistinguishable manner in all states. The Response also revealed that some Legacy systems serve only a subset of the region, some serve only Tennessee and some OSS processes that serve Tennessee customers differ from those that serve Georgia and Florida. In addition, the Pre-Hearing Officer noted that studies had found that the testing in Georgia and Florida was not necessarily consistent.

The Pre-Hearing Officer then made a motion, contingent upon the Authority's approval of the First Report and Recommendation, that the Executive Secretary be authorized to select and retain a qualified consultant to prepare the Phase I report proposed in the First Report and Recommendation. The Pre-Hearing Officer stated that such selection would be subject to the Authority's approval.

Upon considering the record, the First Report and Recommendation and the comments of the Pre-Hearing Officer, the Directors voted unanimously to approve the First Report and Recommendation. In addition, the Directors voted unanimously to authorize the Executive Secretary to proceed expeditiously to select and retain a qualified consultant, subject to approval by the Authority.

**IT IS THEREFORE ORDERED THAT:**

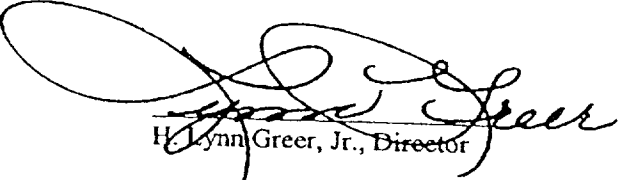
1. The First Report and Recommendation of the Pre-Hearing Officer, attached to this Order as Exhibit A is approved and is incorporated into this Order as if fully rewritten herein.

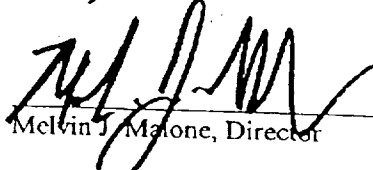
2. The Executive Secretary is authorized to select and retain a qualified

consultant to prepare the Phase I report proposed in the First Report and Recommendation, subject to approval of the Authority.

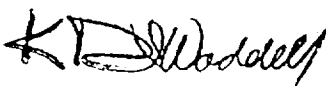
3. Any party aggrieved by this Order may file a Petition for Reconsideration with the Tennessee Regulatory Authority pursuant to Tenn. Code Ann. § 4-5-317 within fifteen (15) days of the entry of this Order.

  
Sara Kyle, Chairman

  
H. Lynn Greer, Jr., Director

  
Melvin J. Malone, Director

ATTEST:

  
K. David Waddell, Executive Secretary

**MAY 3, 2001**

DOCKET NO.  
01-00362

A

accomplished in two dockets. The first docket would establish a generic set of performance measures, benchmarks and enforcement mechanisms for BellSouth's wholesale operations. The Authority ruled on February 21, 2001 that the benchmarks, performance measurements and enforcement mechanisms adopted by the Authority in the BellSouth/DeltaCom arbitration (Docket No. 99-00430) shall serve as the starting point for this generic proceeding. Pursuant to an established procedural schedule, the parties will submit proposed changes to these standards with supporting evidence.

This docket, the second of the two established on February 21, 2001, refers to BellSouth's OSS and the ability of such systems and processes to offer wholesale services and elements in compliance with state and federal regulations.

The Federal Communications Commission (FCC) defined OSS as "consisting of pre-ordering, ordering, provisioning, maintenance and repair, and billing functions supported by an [ILEC's] databases and information. OSS includes the manual, computerized, and automated systems, together with associated business processes and the up-to-date data maintained in these systems." The FCC further propounded that OSS includes access to loop qualification information.<sup>2</sup> Consistent with this definition, the FCC found that "...access to OSS functions falls squarely within an incumbent LEC's duty

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<sup>2</sup> See *Third Report and Order in the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-98, 15 FCC Rcd. 3696, ¶ 424,425 (Released Nov. 5, 1999) (Third Report and Order and Fourth Further Notice of Proposed Rulemaking) ("*UNE Remand Order*").

under section 251(c)(3) to provide unbundled network elements under terms and conditions that are nondiscriminatory and just and reasonable, and its duty under section 251(c)(4) to offer resale services without imposing any limitations or conditions that are discriminatory or unreasonable.”<sup>3</sup>

The Tennessee General Assembly has declared that it is the policy of Tennessee to permit competition in all telecommunications markets,<sup>4</sup> and that BellSouth must provide non-discriminatory access to its public network.<sup>5</sup>

On May 12, 1999, AT&T Communications of the South Central States (“AT&T”) filed a petition (Docket No. 99-00347) asking the Authority to order third party testing of BellSouth’s OSS. At the regularly scheduled Authority conference on October 26, 1999, the Directors voted to hold the petition in abeyance in order to monitor the third party testing in other states and to determine at a later date if Tennessee-specific testing would be required.

On April 24, 2000, the Authority issued a Data Request to all parties in Docket No. 99-00347, requesting the respondents to (1) identify and explain all areas where BellSouth’s interfaces, systems and processes utilized in Tennessee differ from those used in other states within BellSouth’s region and (2) identify what impact, if any, the Tennessee-specific differences identified in (1) would have on third party testing of BellSouth’s OSS. BellSouth responded that its interfaces, systems and processes in Tennessee are the same as those used

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<sup>3</sup> *Bell Atlantic New York Order*, ¶ 83.

<sup>4</sup> T.C.A. §65-4-123.

<sup>5</sup> T.C.A. §65-4-124.



throughout BellSouth's region. AT&T responded that Tennessee-specific differences would require Tennessee-specific testing. MCI suggested that an objective third party should evaluate Tennessee-specific differences. Using this information, a third party should then test BellSouth's OSS to the extent that it is different from that OSS used in Florida, where the most extensive OSS testing is being done.

On December 6, 2000, the Authority issued a second Data Request to BellSouth requesting more detailed information in order to assist in determining the need for Tennessee-specific testing of its OSS. BellSouth's response on January 29, 2001 contended that its software infrastructure, including electronic interfaces and databases, is either the same or is designed to operate in an indistinguishable manner across all of its states. Nevertheless, its response revealed that some legacy systems serve only a subset of the region, and some serve only Tennessee. Some OSS processes that serve Tennessee customers are different from those that serve Georgia and Florida customers.

#### Recommendation

The purpose of this report is to recommend a procedure for determining if BellSouth's Tennessee systems and processes are operating sufficiently to provide wholesale services and elements to CLECs without impeding competition. It is my recommendation, as the Hearing Officer in this docket, that the Authority engage an independent third party consultant to determine

what, if any, testing of BellSouth's OSS is needed (Phase I) and conduct such testing if ordered by the Authority (Phase II).

Specifically, the selected consultant should prepare and submit to the Authority a Phase I report consisting of the following elements within an established time frame: (1) identification of the systems or processes used by BellSouth's Tennessee operations for providing services and network elements to competitors; (2) an audit of BellSouth's Tennessee performance data; and (3) recommendations regarding performance and system testing necessary for the Authority to ascertain whether BellSouth is providing network services and elements to CLECs in Tennessee without impeding competition. Consistent with previous decisions by the Authority, such decisions shall take into consideration the testing of OSS in other BellSouth states and the extent that the TRA can rely on such tests for Tennessee operations. The Phase I report should also identify processes that are specific to Tennessee or utilize Tennessee labor such as the process for "hot cuts."<sup>6</sup>

Upon completion of the consultant's Phase I report, it is my recommendation that the Authority convene a hearing for the purpose of receiving testimony and documenting evidence from the consultant and interested parties. Upon completion of the hearing, the Authority may render a

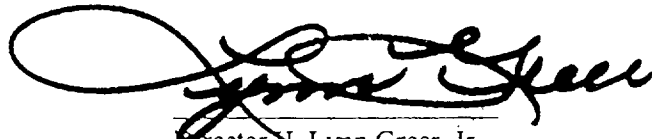
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<sup>6</sup> A "hot cut" is the process of transferring a working subscriber's line from one local service provider to another with minimum disruption of service.

decision on the consultant's recommendation and the need to begin actual testing of the processes ordered by the Authority.

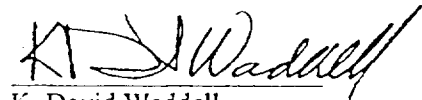
The Pre-Hearing Officer is of the opinion that since such OSS review and analysis is necessary to demonstrate BellSouth's compliance with the network opening provisions of the Federal Telecommunications Act of 1996 and to demonstrate compliance with the criterion necessary to enter the InterLATA long distance market, the cost of the consultant's report and testing, if necessary, shall be borne by BellSouth.

Respectfully submitted,

A large, stylized handwritten signature in black ink, appearing to read "H. Lynn Greer, Jr.", written over a horizontal line.

Director H. Lynn Greer, Jr.,  
Pre-Hearing Officer

Attest:

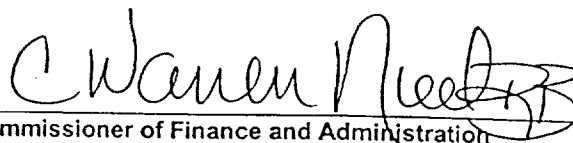
A handwritten signature in black ink, appearing to read "K. David Waddell", written over a horizontal line.

K. David Waddell,  
Executive Secretary

# RULE EXCEPTION REQUEST AND JUSTIFICATION

Messenger Mail to:  
Office of Contracts Review  
12<sup>th</sup> Floor, William R. Snodgrass Tennessee Tower

APPROVED



Commissioner of Finance and Administration

Date: JUN 21 2001

RE: RULE EXCEPTION—:

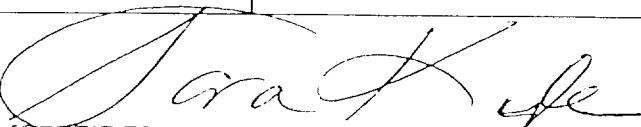
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REQUEST APPROVAL FOR NON-COMPETITIVE PROCUREMENT

COMMISSIONER NEEL:

THIS IS TO REQUEST APPROVAL OF THE REFERENCED EXCEPTION(S) TO FINANCE AND ADMINISTRATION RULES, CHAPTER 0620-3-3.

|                |  |
|----------------|--|
| REQUEST DATE:  | June 7, 2001   |
| RFS NUMBER:    | 31611-005  |
| VENDOR:        | KPMG Peat Marwick ("KPMG")   |
| SERVICE:       | Engage an independent third party to conduct testing of BellSouth's Operational Support Systems ("OSS") where the independent third party has determined it is not possible to rely on actual data or the testing done in other states.  |
| JUSTIFICATION: | KPMG is the only vendor providing third party testing of BellSouth's OSS in BellSouth's nine state region. KPMG performed the third party testing in Georgia and is performing the third party testing in Florida. KPMG has retained intellectual property rights to any interfaces built for the Florida testing which are required to duplicate the existing interfaces of BellSouth Telecommunications. Procurement of KPMG will reduce costs because (1) the interfaces owned by KPMG can be used in Tennessee testing; (2) KPMG has gained experience in the complicated testing of OSS by performing the testing in Georgia and Florida; and (3) the TRA intends to rely, where possible, on the testing and results obtained from the testing in Georgia and Florida. |
| MAXIMUM COST:  | The contract will be between the State of Tennessee/TRA and KPMG. However, BellSouth will be responsible for payment of all charges related to this contract. Therefore, the cost to the TRA will be zero.   |
| MAXIMUM TERM:  | Three (3) years with two (2) one (1) year extensions. Beginning date to be determined by availability of KPMG  |



[CERTIFIED/AUTHORIZED AGENCY HEAD SIGNATURE]

Sara Kyle, Chairman of Tennessee Regulatory Authority

# TENNESSEE REGULATORY AUTHORITY

Sara Kyle, Chairman  
Lynn Greer, Director  
Melvin Malone, Director



01-00362

460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

July 3, 2001

Mr. Mike Weeks, Partner  
KPMG Consulting  
303 East Wacker Drive  
Chicago, IL 60601-5212

Dear Mr. Weeks:

On February 21, 2001 the Tennessee Regulatory Authority voted to open Docket 01-00362 "to determine the compliance of BellSouth Telecommunications, Inc.'s operations support system with state and federal regulations." In opening that docket, the Directors voted to "engage an independent third party to advise the Authority of the areas of OSS testing where it is not possible to rely on actual data or the testing done in other states and then, if necessary, engage a third party to conduct any required testing."

Subsequently, on May 15, 2001, the Authority unanimously adopted the Report and Recommendation of Director Lynn Greer, Pre-Hearing Officer, and ordered the Executive Secretary of the TRA "to select and engage a third party consultant" to prepare a report: 1) identifying the systems and processes used by BellSouth's Tennessee operations for providing services and network elements to competitors; 2) audit BellSouth's existing Tennessee performance data for accuracy,<sup>1</sup> and; 3) providing recommendations regarding performance and system testing necessary for the Authority to ascertain whether BellSouth is providing network services and elements to CLECs in Tennessee without impeding competition. The Authority stated that the recommendations for identifying the needed OSS testing shall "take into consideration the testing of OSS in other BellSouth states and the extent that the TRA can rely on such tests for Tennessee operations and identify processes that are specific to Tennessee or utilize Tennessee labor." Such processes include "hot cuts", loop make-up and provisioning information and the provisioning of line sharing and line splitting elements. The attached order provides additional details on the Authority's actions.

Once the report is submitted, the Authority will convene a hearing for the purpose of receiving testimony and evidence from the consultant and interested parties and render a decision on the OSS testing needed in Tennessee and select a consultant to perform the testing if necessary.

<sup>1</sup> Since the Authority is in the process of establishing generic performance standards, benchmarks and enforcement mechanisms, it would be premature to conduct such an audit at this time.

Mr. Mike Weeks  
Page 2  
July 3, 2001

Since the Authority would like to rely on the Florida and Georgia OSS testing conducted by KPMG where possible, the most efficient course of action is to engage KPMG to prepare the above report.<sup>2</sup> KPMG's in-depth knowledge of BellSouth's OSS as well as KPMG's existing interfaces and data gathered from these other BellSouth states will help avoid any unnecessary duplication and costs in this process. As a result, the Authority has received permission from the Tennessee Department of Finance and Administration to pursue a sole source contract with KPMG.

Therefore, if KPMG is interested in acting as the third party consultant, please submit by July 11, 2001, a proposed contract for the preparing and presenting the report described above. The proposed contract should include all terms and conditions applicable to such engagement. Before finalizing the contract terms, I will schedule a meeting with representatives from KPMG, BellSouth and the TRA to discuss any disputed terms and negotiate the final terms and conditions. All three will be parties to the contract, however the engagement will be conducted under the direction and supervision of the TRA. It is our intent that the TRA Staff will actively participate in all phases of the review including the design and testing phases.

If you have any questions or if additional information is needed, please contact Joe Werner, the TRA's Chief of Telecommunications at (615) 741-2904 extension 175.

Sincerely,



K. David Waddell  
Executive Secretary

Attachment

cc: Sara Kyle, Chairman  
Lynn Greer, Director  
Melvin Malone, Director  
Charles Howorth, BellSouth

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<sup>2</sup> This does not suggest, however, that the Authority will routinely accept findings from Georgia and Florida without convincing evidence. Also, any findings and recommendations from other states used in the report are expected to be re-evaluated to determine if additional data exists that justify amending the recommendation.

July 11, 2001

Mr. K. David Waddell  
Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

Dear Mr. Waddell:

KPMG Consulting, Inc. (KPMG Consulting) was pleased to receive your letter on July 3, 2001 requesting that we submit a proposed contract for preparing and presenting a report to the Tennessee (TN) Regulatory Authority (the Authority) on possible testing of BellSouth's (the Company) Operation Support Systems (OSS). Prior to submitting a detailed contract outlining detailed legal terms and conditions, we believe that it is important to reach an understanding and agreement on the business definition of the project. Accordingly, the remainder of this document outlines the scope, approach, staffing, roles and responsibilities, timing, and commercial terms that KPMG Consulting would propose to the Authority and the Company. If these are acceptable, then a detailed contract can be crafted that supports the agreed upon business terms and conditions.

## **Background**

KPMG Consulting has recently completed a test of the Company's OSS in Georgia (GA) at the direction of the Georgia Public Service Commission (GA-PSC). We are also nearing completion of a similar test of the Company's OSS in Florida (FL) for the Florida Public Service Commission (FL-PSC). As indicated in your letter, the Authority would like to leverage our experience in those tests to its advantage.

It is our understanding that the Authority seeks to answer the question: "What level of testing, if any, is required of the Company's OSS in Tennessee?". The answer to this question would appear to be influenced, in part, by the answer to two other questions: 1) "Do the OSS that support the Company's wholesale operations in TN have anything in common with those that support wholesale operations in GA and FL?"; and 2) "Have those things that are in common, if any, been tested in the other OSS tests in GA and / or FL?".

In our opinion, the answer to the first question requires some investigation. As you know, the Company is an amalgam of two former Bell operating companies: Southern Bell (which supported customers in GA and FL), and South Central Bell (which supported customers in TN). The Company has asserted that, over time, it has integrated many of the processes and systems of the two former

companies into a single image that supports operations on a region-wide basis. The Company has also stated that many of its methods and procedures (M&Ps) are standard across the entire footprint.

We believe that, to the extent that these assertions can be substantiated, it is possible for the Authority to rely on the results of tests already performed on these common processes, systems and M&Ps. However, both the GA and FL tests were conducted in the old Southern Bell environment. Therefore, KPMG Consulting would need to investigate whether or not there are differences in the processes, systems or M&Ps that support the Company's wholesale operations in TN from those tested in GA and FL.

To the extent that the scope and timing of the GA and FL tests have included tests of the processes, systems and M&Ps that support the Company's wholesale operations in TN, then the results of those tests can be relied upon by the Authority. However, if things are unique to TN, or the processes, systems or M&Ps have substantially changed since they were tested in another jurisdiction, then the Authority must consider whether or not additional testing is required.

### **Scope**

As stated in your letter you desire a report that: 1) identifies "the systems and processes used by BellSouth's Tennessee operations for providing services and network elements to competitors"; and 2) provides "recommendations regarding performance and system testing necessary for the Authority to ascertain whether BellSouth is providing network services and elements to CLECs in Tennessee without impeding competition". We also understand that, after submission of our report, we would be required to participate in a "hearing for the purpose of receiving testimony and evidence from the consultant and interested parties".

Accordingly, we would:

- Inventory the processes, systems, and M&Ps that support the Company's wholesale operations in TN
- Compare and contrast them with those that support wholesale operations in GA and FL
- Categorize the processes, systems, and M&Ps as:
  - Common throughout the Company or unique to TN
  - Tested in FL/GA or not
  - Significant, or not, to competition in TN
- Prepare a report outlining the above
- Participate in the hearing conducted by the Authority

Historically, KPMG Consulting has acted as finders of fact. We believe that the ultimate decisions as to what should be tested are better left to regulatory due process. Therefore, we will not make recommendations in our report as to the



potential scope of an OSS test in TN. However, we expect to be able to indicate to the Authority our opinion as to those areas from the GA and FL tests on which reliance could be placed by TN.

## **Approach**

Our approach to performing this review would be as follows:

1. Conduct a planning session with the Authority, and the Company, to agree on such things as:
  - a. Breadth and depth of the review
  - b. Initial schedules and milestones
  - c. Level of interim reporting, if any
  - d. Rules of engagement for review and oversight by the Authority and the Company
2. Conduct initial interviews with:
  - a. The Authority
  - b. The Company
  - c. CLECs
3. Request and review supporting documentation
4. Conduct follow up interviews and walkthroughs
5. Perform analysis
6. Develop and review initial findings
7. Prepare final report
8. Participate in the hearing

## **Roles and responsibilities**

KPMG Consulting would be responsible for planning and executing the work as outlined above, and would be solely responsible for the content of our final report.

We would work at the direction of the Authority who is ultimately responsible for the scope of the work performed.

The Company would be responsible for making information, and its professionals, available on a timely basis so that the review can be completed as expeditiously as possible. The Company would also be responsible for paying our bills on a timely basis.

CLECs, to the extent that they are involved at all, would be providers of additional information, and would have no involvement in either the scope of the review, or the content of the final report.

## **Timing**

Based upon our previous experience with the Company's legal and contracts administration organizations we would expect that the contracting process would take about two to three weeks to complete. KPMG Consulting would be prepared to start work on this project within a week of signing the contract.

The duration of our work is highly dependent upon the number of documents we need to review, and the level of difficulty we have in coordinating schedules with the busy professionals at the Authority, the Company and any CLECs we choose to interview. Based upon our past experience with these parties, we believe a reasonable expectation is that the field work could be performed in a four to six week time frame.

We would require another week or two to prepare the report and present it to the Authority.

## **Staffing**

I would assume overall responsibility for this project. I would rely heavily on the assistance of Mr. David Wirsching, the Managing Director responsible for the day-to-day testing activities on the FL test, and Mr. Chuck King who was the Managing Director in charge of a similar review conducted of the differences between Verizon's OSS in VA and other states.

Most of the field work for this project would be conducted by various OSS testing professionals who are located in our Operations Center in Philadelphia. These individuals would be selected for their experience either in conducting similar reviews, or for their experience in testing the OSS of the Company.

## **Fees and expenses**

Because of the uncertain nature of the level of effort required to accomplish this review, we would conduct this project on a time-and-material basis using the rates and expense policy negotiated with the Company for the FL project. Based upon our experience with two similar projects, we would expect that the total fees would be range from \$300,000 to \$400,000. Expenses would probably range between 15% and 20% of fees.

Due to the anticipated short duration of this project, we would bill twice per month, with payment due within 30 days of receipt.

\*\*\*\*\*

David:

We appreciate being offered the opportunity to assist the Authority in this important project. Please contact me on my mobile phone at (773) 255-6654, at your convenience, to arrange a time to discuss this proposal, and any desired contract terms and conditions.

Very truly yours,

A handwritten signature in black ink, appearing to read "Michael W. Weeks". The signature is fluid and cursive, with the first name "Michael" and last name "Weeks" clearly distinguishable.

Michael W. Weeks  
Managing Director

# TENNESSEE REGULATORY AUTHORITY

Sara Kyle, Chairman  
Lynn Greer, Director  
Melvin Malone, Director



460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

August 3, 2001

VIA E-MAIL

Mr. Mike Weeks, Partner  
KPMG Consulting  
303 East Wacker Drive  
Chicago, IL 60601-5212

Dear Mr. Weeks:

Based upon the discussions of the third-party OSS review during our July 26, 2001 meeting, we herein provide additional details necessary to conduct the analysis the Authority is seeking. Consistent with the Authority's directives outlined in its July 27, 2001 order adopting the Hearing officer's Report and Recommendation (attached), the third-party OSS report and analysis presented to the Authority shall include the following:

1. Inventory the processes, systems, and methods and procedures (M&Ps) that support BellSouth's wholesale operations in Tennessee.
2. Compare and contrast such inventory with those processes, systems, and M&Ps that support wholesale operations in Georgia and Florida.
3. Categorize the processes, systems, and M&Ps as:
  - a. Common throughout the Company or unique to Tennessee.
  - b. Tested in Florida or not. If tested in Florida, is the testing of such process still timely and relevant?
  - c. Tested in Georgia or not. If tested in Georgia, is the testing of such process still timely and relevant?
  - d. Significant, or not, to competition in Tennessee.
4. Specifically identify any processes, systems, or M&Ps that were included in the Florida Master Test Plan (MTP) but not in the Georgia MTP. Provide KPMG's understanding as to why such processes were not included in the Georgia test and whether or not testing of such process[es] would have been beneficial in arriving at a final decision on the adequacy of BellSouth's OSS in that state assuming that OSS availability is required for the provision, by competitors, of both residential and business service as contemplated under Sec. 271(c)(1)(A) of the *Telecommunications Act of 1996*.

5. Specifically identify any processes, systems, or M&Ps that in KPMG's professional opinion should be included in an MTP designed to evaluate the availability of OSS provisioning for both residential and business service as contemplated under Sec. 271(c)(1)(A) of the *Telecommunications Act of 1996* but was not included in the Florida MTP. Provide KPMG's understanding as to why such processes were not included in the Florida test and whether or not testing of such process[es] would be beneficial in arriving at a final decision on the adequacy of BellSouth's OSS in Florida.
6. Specifically identify any processes, systems, or M&Ps that were included in the Georgia MTP but not in the Florida MTP. Provide KPMG's understanding as to why such processes were not included in the Florida test and whether or not testing of such process[es] would have been beneficial in arriving at a final decision on the adequacy of BellSouth's OSS in that state assuming that OSS availability is required for the provision, by competitors, of both residential and business service as contemplated under Sec. 271(c)(1)(A) of the *Telecommunications Act of 1996*.
7. Provide a detailed description of the process for arriving at a final master test plan (MTPs) in both Florida and Georgia. Provide copies of the final contracts (and any amendments) engaging KPMG to conduct OSS testing in Florida and Georgia.
8. For the processes, systems, and M&Ps which are relevant to Tennessee and for which KPMG recommends that reliance should be placed on another state's testing of such processes, systems, and M&Ps, attest to the appropriateness, independence and accuracy of the relied upon state's testing of such processes.
9. Identify any and all restrictions, limitations or conditions placed on KPMG with regard to the performance of OSS testing in Florida and Georgia.
10. Based on KPMG's findings from the above analysis, submit recommendations as to scope of OSS tests needed in Tennessee and the reliance that can be placed on Florida and Georgia tests.
11. Provide a report containing the above analysis.
12. Participate in all workshops and hearings conducted by the Authority in this docket. Workpapers supporting KPMG's report will be available for inspection by parties to this proceeding.

If KPMG is interested in conducting an analysis as described above, please submit by **August 8, 2001**, a proposed contract that includes these elements. The proposed contract should include all terms and conditions applicable to such engagement.

Mr. Mike Weeks  
Page 3 of 3  
August 3, 2001

Nothing in this document should be construed as representing a modification or revision to the Authority's Report and Recommendation or Order in this matter. If you have any questions or if additional information is needed, please contact Joe Werner at (615) 741-2904 extension 175.

Sincerely,

A handwritten signature in black ink, appearing to read "K. David Waddell", with a long, sweeping horizontal stroke extending to the right.

K. David Waddell  
Executive Secretary

Attachment

cc: Sara Kyle, Chairman  
Lynn Greer, Director  
Melvin Malone, Director



August 8, 2001

Mr. K. David Waddell  
Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

Dear Mr. Waddell:

KPMG Consulting, Inc. ("KPMG Consulting") was pleased to receive your letter of August 3, 2001 requesting that we submit a proposed contract for preparing and presenting a report to the Tennessee (TN) Regulatory Authority (the "Authority") on possible testing of BellSouth's (the "Company") Operation Support Systems ("OSS"). This follows our previous proposal dated July 11, 2001, and our face-to-face discussions conducted on July 26, 2001.

We have reviewed the requested scope of work, and the following outlines our response to those specific requests. In addition, attached please find a proposed contract for the scope of work which we would conduct.

### Scope

We would address the items identified in your letter as follows:

1. We would request and review documents from the Company, and conduct confirming interviews and walkthroughs with the Company, the Authority, and selected CLECs in order to prepare an inventory of the processes, systems, and methods and procedures (M&Ps) that support the Company's wholesale operations in TN.
2. We would compare and contrast the processes, systems, and M&Ps that support wholesale operations in TN with those that support Georgia (GA) and Florida (FL).
3. We would combine the facts gathered in items 1 and 2 above with our knowledge of the GA and FL MTPs to categorize the processes, systems, and M&Ps as:
  - o Common throughout the Company, or unique to TN
  - o Tested in FL or not (and whether or not the test target is still in service)
  - o Tested in GA or not (and whether or not the test target is still in service)

You have also asked that we characterize the processes, systems, and M&Ps as significant, or not, to competition in TN. None of the information that we would collect in 1 and 2 above would be sufficient for KPMG Consulting to form an opinion about this issue. KPMG Consulting would be happy to facilitate a collaborative workshop with stakeholder parties to discuss the competitive landscape in TN, so that the Authority can develop an understanding of those aspects of the Company's wholesale operations that parties believe to be significant to competition in TN.

4. You have asked that we specifically identify any processes, systems, and M&Ps that were included in the FL MTP, but not the GA MTP. This requirement will be addressed by the structure of the information in our report reflecting the data from item 3 above.

In addition you have asked that we provide our understanding of why the scope of the FL and GA tests differ, and to opine on whether additional testing would have enhanced the record of the proceedings in those states. KPMG Consulting respects the authority and sovereignty of the FL and GA Commissions, and does not believe that it is appropriate, or relevant, for us to comment on decisions made by other regulators in the course of exercising their regulatory authority in connection with their jurisdiction's due process.

5. You have asked that we specifically identify any processes, systems, and M&Ps that, in our professional opinion, should have been included in the FL MTP, but were not. Again, KPMG Consulting respects the authority and sovereignty of the FL Commission, and does not believe that it is appropriate, or relevant, for us to comment on decisions made by them in the course of exercising their regulatory authority in connection with their jurisdiction's due process.

In addition, we believe that the appropriate focus of our review in TN should be on what is important to competition in TN, and whether or not those things have been tested elsewhere, rather than on what should have been tested in another jurisdiction where the competitive landscape is quite possibly very different.

6. You have asked that we specifically identify any processes, systems, and M&Ps that were included in the GA MTP, but not the FL MTP. This requirement will be addressed by the structure of the information in our report reflecting the data from item 3 above.

As stated above, it would be presumptive of us to provide any understanding of, or opinion on, any differences that may exist between in the GA and FL tests, beyond the statements of fact presented in item 3 above.

7. KPMG Consulting performed under the direction of the relevant regulatory authority and did not control the processes used to build the MTPs in GA and FL. In addition, we do not see how this would be relevant to either the content of a TN MTP, or to the results of testing included in any final reports submitted to regulators in connection with their tests. Thus it would be inappropriate for us to include the requested process descriptions in our report. If this information is deemed critical by the Authority, we believe that the FL and GA Commissions would be the definitive source of information on their respective regulatory processes.



Disclosure of our contracts is specifically prohibited by terms and conditions included therein.

8. You have asked that we attest to the appropriateness, independence and accuracy of any testing conducted in another jurisdiction of processes, systems, and M&Ps on which we recommend TN place reliance. Historically, KPMG Consulting has acted as finders of fact. We believe that the ultimate decisions as to what should be tested in TN are better left to regulatory due process. Therefore, we would not make recommendations in our report as to the potential scope of an OSS test in TN, or on the reliance to place on other tests. KPMG Consulting would be happy to facilitate a collaborative workshop wherein stakeholder parties discuss the requirements for an MTP in TN, and the propriety of placing reliance on any portions of third party tests from another jurisdictions.
9. You have asked us to identify any and all restrictions, limitations or conditions placed on us with regard to the performance of OSS testing in FL and GA. We can state here, and thus would not do so again in the report, that the only restrictions, limitations or conditions placed on us were those of the respective contracts and MTPs. We were otherwise free to conduct the tests in any manner consistent with our role as an independent third-party evaluator.
10. We would produce a written final report, make the work product of this effort alone (not that of any other projects) available for reasonable inspection by interested parties, and participate in all workshops and hearings conducted by the Authority in this docket.

### **Roles and responsibilities**

KPMG Consulting would be responsible for planning and executing the work as outlined above, and would be solely responsible for the content of our final report.

We would work at the direction of the Authority who is ultimately responsible for the scope of the work performed.

The Company would be responsible for making documentation, and its professionals, available on a timely basis so that the review can be completed as expeditiously as possible. The Company would also be responsible for paying our bills on a timely basis.

CLECs, to the extent that they are involved at all, would be providers of additional information, and would have no involvement in either the scope of the review, or the content of the final report.

### **Timing**

Based upon our previous experience with the Company's legal and contracts administration organizations we would expect that the contracting process would take about two to three weeks to complete. KPMG Consulting would be prepared to start work on this project within a week of signing the contract.

The duration of our work is highly dependent upon the number of documents we need to review, and the level of difficulty we have in coordinating schedules with the busy

professionals at the Authority, the Company and any CLECs we choose to interview. Based upon our past experience with these parties, we believe a reasonable expectation is that the field work could be performed in a six to eight week time frame.

We would require another week or two to prepare the report and present it to the Authority.

### **Staffing**

I would assume overall responsibility for this project. I would rely heavily on the assistance of Mr. David Wirsching, the Managing Director responsible for the day-to-day testing activities on the FL test, and Mr. Chuck King who was the Managing Director in charge of a similar review conducted of the differences between Verizon's OSS in VA and other states.

Most of the field work for this project would be conducted by various OSS testing professionals who are located in our Operations Center in Philadelphia. These individuals would be selected for their experience either in conducting similar reviews, or for their experience in testing the OSS of the Company.

### **Fees and expenses**

Because of the uncertain nature of the level of effort required to accomplish this review, we would conduct this project on a time-and-material basis using the rates and expense policy negotiated with the Company for the FL project. Based upon our experience with two similar projects, we would expect that the total fees would be range from \$300,000 to \$400,000. Expenses would probably range between 15% and 20% of fees.

Due to the anticipated short duration of this project, we would bill twice per month, with payment due within 30 days of receipt.

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David:

We appreciate being offered the opportunity to assist the Authority in this important project. Please contact me on my mobile phone at (773) 255-6654, at your convenience, to arrange a time to discuss this proposal, and any desired contract terms and conditions.

Very truly yours,



Michael W. Weeks  
Managing Director